

# Making Tuscaloosa Competitive by Investing in our Future



Proposed Amendments to the Economic Development Policy



# **Making Tuscaloosa Competitive My Inauguration Pledge**

“Tuscaloosa, like so many cities across this nation, feels the tightening grip of this recession. However, we do not sit still awaiting the deliverance of a stimulus package or the healing grace of time. In the near future, the City Council will have an opportunity to consider several proposals which will strengthen our commercial, industrial and tourism sectors. If we are to transform Tuscaloosa, the status quo in economic development will not be acceptable in the years ahead. We must never forget that we serve people and not bureaucracies, because behind every statistic is a father, mother, friend or fellow citizen who is striving for a better quality of life.”



# Making Tuscaloosa Competitive Since Inauguration 2009

1. Approved the merger of the Tuscaloosa Convention Visitors Bureau and the Tuscaloosa Sports Foundation
2. Approved the Office of Developmental Services which re-organizes several City Departments and streamlines economic development and permitting
3. **Proposed amendments to the Economic Development Policy which would make Tuscaloosa competitive for additional commercial retail**



# Making Tuscaloosa Competitive

## Our Goals

1. To make Tuscaloosa's commercial recruitment efforts competitive with Tuscaloosa County and the entire State of Alabama which will attract the missing links in our market
2. To provide economic development loans and incentives for "significant" and "distinctive" commercial centers which will be funded by **NEW** tax revenues
3. To ensure that the taxpayers will continue to receive a full return on their investment by requiring a cost/benefit analysis, a high threshold on the substitution effect of sales taxes and revenue guarantees by the developer



# Recent Developments that Received City Incentives

Publix's North Shopping Center (2004): \$917,356 CD 3

Tuscaloosa Chevrolet (2005): \$1,778,000 CD 6

Midtown Village (2006): \$1,574,000 CD2

Piggly Wiggly (2007): \$450,000 CD 5

Capital Market Center (2008): \$492,883 CD 2

# Our Neighbors – Our Competition

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Birmingham

Bessemer

Decatur

Gadsden

Hoover

Huntsville

Opelika

Prattville

Trussville

Leeds



# Birmingham: Eastwood Mall (300,000 sq. feet)

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Provided \$12 of the \$23 million needed to purchase the land





# Birmingham: The Summit (1,100,000 sq. feet)

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Provided \$14 Million in loans during the course of the project, and provided \$2 Million in tax rebates for their recent expansion





# Bessemer: Promenade (600,000 sq. feet)

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**Phase I** -Provided \$13 Million in tax rebates

**Phase II** – Provided a split of sales tax revenue up to \$7 Million over 10 years for infrastructure cost

Provided \$1 Million gift for the movie theater



# Decatur: Sweet Water (1,300,000 sq. feet)

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Provided \$14 Million in loans

Provided \$3.75 Million for public infrastructure

Provided, through the Cooperative District, \$36 Million to be re-paid with 4 percent City Sales tax (\$32 Million to be allocated for the Bass Pro Shop)



# Decatur: Crossings of Decatur (260,000 sq. feet)

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Provided on-site and right-of-way improvements estimated between \$4 Million and \$5 Million





# Gadsden: Coosa Town Center (300,000 sq. feet)

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Provided \$500,000 at the beginning of construction

Provided \$2 Million the day the development opened



# Homewood: Brookwood Village (750, 000 sq. feet)

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Provided \$7 million to  
the cost of the project  
(re-development)



# Hoover: The Grove

(300, 000 sq. feet)



Reimbursed \$5 Million in public road extensions and improvements by dividing sales taxes by 50 percent for a period of six years



# Hoover: Lee Branch

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(500,000 sq. feet)



Agreed to pay an amount equal to 50 percent of sales taxes, lodging taxes and entertainment revenues in the first three years of operation



# Huntsville: Bridge Street Town Center

(550, 000 sq. feet)

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Developer purchased city-owned property

Provided public infrastructure improvements



# Huntsville: Parkway Place Mall (631,000 sq. feet)

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Provided a parking deck for 844 spaces

(\$10,000 per parking space would equal \$8,440,000 – City of Tuscaloosa estimate based on the IMF)

# Opelika: Tiger Town (1,500,000 sq. feet)

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**Phases 1-3:** Provided paving to the parking lot which equaled \$1.5 million and an additional \$8.5 million for public infrastructure



**Phase 4:** Provided one half of the future sales taxes for 15 years or until the Developer received \$6 million





# Prattville: High Point

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(750,000 sq. feet)

Issued GO debt for \$8 Million for the purchase of the land

Provided \$15 Million in tax rebates for infrastructure

Established an additional 1 percent sales tax district to pay down bond debt and rebated 2.5 percent of sales tax to the developer



# Trussville: Colonial Promenade I & II (810,000 sq. feet)

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Provided \$3 Million in infrastructure sales tax rebates

Expanded an adjacent road to the development for \$1.5 Million

Provided a tax rebate of \$2.1 Million with the developer collecting 50 percent of the revenue for five years



# Trussville: Tutwiler Farm

(530,000 sq. feet)

Rebated the infrastructure costs of \$975,000 by designating 75 percent of the collected revenue



# Trussville: Pinnacle

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(450,000 sq. feet)

Provided \$2 Million for a new road and provided tax rebates of \$5.5 Million for infrastructure

For the first three years, divided the sales taxes 60/40 with 60 percent going to the City - After 3 years, it will become a 50/50 split between the City and the developer





# Leeds: The Grand River

(330, 000 sq. feet)

Agreed to loan \$23 Million for public infrastructure with repayment coming from new sales tax dollars generated by the development

**Note:** A Cooperative District composing of Leeds, Moody and St. Clair County loaned the \$23 Million



# Industrial vs. Commercial

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Project	New Full-time Jobs	Average Salary	Capital Investment	Incentive Package	Invest Ratio
IDA - A	198	\$56,694	\$14,800,164	\$715,337	\$21 : \$1
IDA - B	26	\$39,231	\$3,716,500	\$211,564	\$18 : \$1
IDA - C	51	\$32,751	\$6,359,000	\$419,225	\$15 : \$1
IDA - D	27	\$78,680	\$27,279,643	\$837,804	\$33 : \$1
Midtown Village <sup>1</sup>	360	Not Available	\$60,000,000	\$1,600,000	\$38 : \$1

<sup>1</sup>Does not include \$45,000,000 for residential component

# Present Policy

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Reimburses the developer for public infrastructure improvements constructed upon public property such as turn-in, turn-out lanes, traffic signals, public parking, drainage structures, utilities, streetscaping, etc.

Paying for infrastructure costs on the property of the development is prohibited

Since the policy was adopted, funding has come from the General Fund RFFI, Water and Sewer RFFI, bond issue and/or interest off a bond issue

# Proposed Amendments

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The creation of Economic Development Loans (EDL) and Economic Development Incentives (EDI) which are investments for eligible development improvements on or off the property of the development

EDLs and EDIs will be funded by the **NEW** tax revenue and validated by either Circuit Court or the Attorney General

# Requirements of an EDL and EDI

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A minimum of 100,000 square feet of retail space and a private investment in the complete acquisition, design and construction of the development must be a minimum of \$11,350,000

The estimated annual new tax revenue from **all sources** must include a 50 percent substitution effect on all sales and use taxes and be equal to or greater than the debt service (EDL) or incentive payment (EDI)

# Requirements of an EDL and EDI

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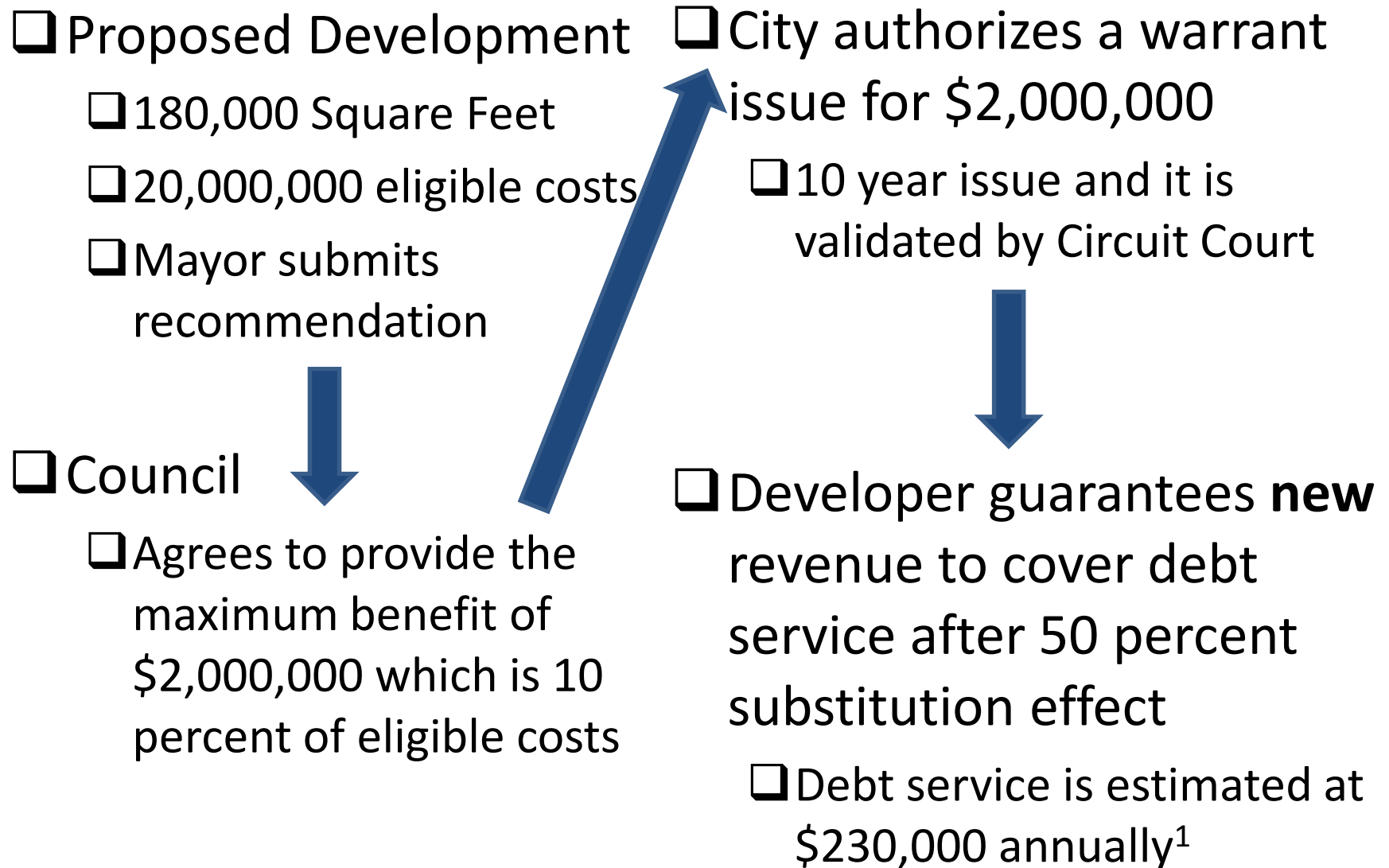
EDL or EDI shall not exceed 10 percent of the eligible development improvement costs

The EDL and EDI requires the developer to accept a revenue guarantee which protects the City's investment

The Revenue Director will be certified to both the Mayor and City Council projected revenues based on the developer's market study and historical data

# EDL Process

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<sup>1</sup> debt service amount is based on today's interest rates and is subject to change



# EDI Process

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## ☐ Proposed Development

- ☐ 180,000 Square Feet
- ☐ 20,000,000 eligible cost
- ☐ Mayor submits recommendation

## ☐ Council

- ☐ Agrees to provide the maximum benefit of \$2,000,000 which is 10 percent of eligible costs

## ☐ City authorizes \$2,000,000 to the developer

- ☐ 10 year agreement and it is validated by the Attorney General

## ☐ Developer guarantees new revenue, after 50 percent substitution effect, to cover the \$200,000 annually for a period of 10 years



# Repayment of EDL and EDI by the Developer

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If the annual tax revenues generated by the development is not sufficient, the **developer shall pay the difference or shortfall** within 30 days

- ❑ For example, the EDI requires a \$200,000 annual payment; however, the development only generated \$180,000 in new revenue after the implementation of the substitution effect, the developer would reimburse the City \$20,000

# Eligible Improvements

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Parking lots or parking decks serving only the development

Lighting within the development

Pedestrian amenities including sidewalks, bicycle paths, and lighting serving only the development. Provided they must be **open to the general public** and **offer** the present or future **opportunity to interconnect** with similar public amenities on adjoining property

Streetscaping and/or landscaping serving the development

Grading or filling on the site

Redeveloping **vacant** commercial space

# Eligible Improvements

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Drainage structures and storm water systems including, storm water retention or detention facilities, extensions to existing storm sewer systems, inlets, above-ground drainage systems, underground drainage systems and culverts serving only the development. Provided; however, **such facilities** must be determined to **have a public benefit by reducing or controlling** the volume and/or rate of storm water **flow downstream** from the development into City storm water systems and/or upon public property and/or property of others



# Summary

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- ☐ Over one hundred million dollars are leaving Tuscaloosa for better retail opportunities in surrounding cities which hurts existing businesses and reduces revenue for the City
- ☐ 13 percent of the City's full-time workforce is in commercial retail
- ☐ The policy amendments strike a balance by providing more competitive incentives while adhering to our conservative philosophy with revenue guarantees and a high threshold on the substitution effect



# Summary

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- ☐ The policy amendments are opportunities to make Tuscaloosa more competitive with the rest of our State in commercial retail especially in landing “legacy” developments
- ☐ If adopted, the new policy amendments would be rarely granted considering its focus on distinctive and significant developments and availability of funding
- ☐ Above all, an effective policy is needed to establish an objective process that focuses on the cost/benefit analysis of each potential project